

# **AYRSHIRE ECONOMIC JOINT COMMITTEE BOARD MEETING**

**20 MAY 2024**

## **REPORT BY HEAD OF ECONOMIC GROWTH EAST AYRSHIRE COUNCIL**

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### **SUBJECT: AYRSHIRE MANUFACTURING INVESTMENT CORRIDOR PROJECT AND AYRSHIRE ENGINEERING PARK**

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#### **PURPOSE**

1. To seek approval from the Ayrshire Economic Joint Committee on the change management process in relation to the relocation of the Ayrshire Manufacturing Investment Corridor (AMIC) to the Ayrshire Engineering Park (AEP) project, following confirmation from both Scottish and UK Governments that the change request has been agreed in principle along with the renaming of the site as the Ayrshire Innovation Park.

#### **RECOMMENDATIONS**

2. It is recommended that Members:
  - (i) Approve the change request relating to the preferred relocation of AMIC to Moorfield, alongside the Ayrshire Engineering Park
  - (ii) Note that this change has now been approved in principle by both Governments, subject to a number of clarifications which will be provided as part of the development of Outline Business Cases;
  - (iii) Note that the co-located development will be known as the Ayrshire Innovation Park (AIP);
  - (iv) Note that revised Outline Business Cases will be prepared for submission to both Governments by no later than May 2024;
  - (v) Note that a joint Full Business Case for Infrastructure Works will be prepared for submission, to allow works to commence by January 2025;
  - (vi) Note that a further two Full Business Cases for AMIC (Centre of Excellence/Food Grade Units and Large Advanced Manufacturing Unit) will be submitted, allowing construction works to take place during 2026/27;
  - (vii) Note that a further two Full Business Cases for AEP (Small Terraced Engineering Units and Large Engineering Units) will be submitted, allowing construction works to take place during 2026/27; and
  - (viii) Otherwise, note the contents of this report.

#### **BACKGROUND**

3. On 19 November 2020, the Ayrshire Growth Deal (AGD) was signed off in a virtual meeting attended by UK and Scottish Governments and the leaders of the three

Ayrshire Councils. This secured £251.5m of funding to help realise Ayrshire's potential as a world-class business region for the food and drink, energy, tourism, aerospace, manufacturing and engineering industries. The majority of projects within the AGD programme focus on infrastructure investment designed to act as a catalyst for business growth and are complemented by a Skills and Inclusion Programme and a Community Wealth Building programme to ensure maximum benefit for Ayrshire communities.

4. The AMIC project is one of 19 projects which make up the Ayrshire Growth Deal. Recognising that product development and innovation are key catalysts for business growth, AMIC will enable the delivery of the Ayrshire Regional Economic Strategy for the food and drink sector. It will also provide a Food and Drink Centre of Excellence and new advanced manufacturing and industrial units to service the wider manufacturing industry in Ayrshire and South West Scotland. This investment in manufacturing across all sectors will provide industry growth and attract inward investment to the Ayrshire region.
5. The Ayrshire Engineering Park is an AGD project which will provide high quality industrial premises for engineering and manufacturing companies, encompassing a fully developed site with the required access and utilities infrastructure and digital connectivity. It will allow the expansion and development of Moorfield Industrial Park in Kilmarnock, creating serviced and high quality business space, with a range of units to support the advanced manufacturing and light engineering sectors in Ayrshire.
6. At the outset of the AMIC project and the first iteration of the outline business case, a site options appraisal was undertaken and a number of sites were considered in and around the Kilmarnock area. Following the options appraisal, two options emerged; a site at Moorfield and a site between the A71 & A76 to the west of Bellfield Interchange.
7. The site at Bellfield Interchange was selected as the preferred option on the basis that infrastructure improvements relating to capacity, pedestrian and vehicular safety would be funded via the Strategic Transport Projects Review (STPR2) and thereafter the Levelling Up Fund (LUF2). Unfortunately, the Bellfield Interchange was not included in STPR2 and the LUF2 funding application was unsuccessful. Transport Scotland have made a number of challenges to the selection of Bellfield and as a result, the site remains constrained.
8. The constraints surrounding Bellfield Interchange would require to be addressed to enable economic growth at this location and with two unsuccessful funding bids, the development of the transport infrastructure will be reliant on private sector investment aligned to the development of industrial land allocated in LDP2.
9. Due to the transport infrastructure constraints on the Bellfield site and inflationary pressures, a proposal to transfer the location to Moorfield (alongside the AEP) was discussed with UK and Scottish Governments in April and May 2023. This was the subject of further discussions at a joint meeting between the three councils and both Governments on 3 October 2023 and the co-location proposal was verbally approved in principle subject to the submission of the relevant change

management documentation and supporting information. The Ayrshire Regional Economic Partnership considered and approved the proposals at its meeting on the 25<sup>th</sup> April 2024.

## **REVISED PROPOSALS**

10. In recognition of the above challenges, a change management request was submitted from the PMO to both Governments on 6 February 2024 to co-locate the AMIC project alongside the AEP at Moorfield. The paper set out the nature and reasons for the change, including an analysis of impacts and options appraisal. The approach set out is considered to benefit both projects by releasing economies of scale in relation to land purchase, infrastructure works and contract procurement.
11. On behalf of both Governments, the Scottish Government provided their in-principle agreement to the change request on 14 March 2024. A number of conditions were attached to this including further clarification in relation to economic analysis, job numbers and the funding profile. These issues will be addressed in the development of Outline Business Cases (OBCs) for both projects.
12. Importantly, East Ayrshire Council purchased the land at Moorfield in March 2023, which provides more certainty in relation to the construction timeline. Furthermore, the change of location removes the transport infrastructure constraints referred to at the previously preferred site. There are a number of other benefits to the proposed co-location, which are highlighted below:
  - Maximisation of resource allocation, with roads and infrastructure costs being shared across both projects.
  - The proposed site has a Business and Industry allocation in the current approved Local Development Plan streamlining the planning application process;
  - Limited access constraints identified in the traffic impact study undertaken;
  - Expedited time line for the AMIC delivery due to established existing traffic impact studies and site investigations/topographical surveys completed;
  - Expedited delivery of the AMIC project as the site is already in the ownership of East Ayrshire Council; as such there is no longer a risk that a site cannot be secured for the development and purchase costs are known;
  - There are already existing large and successful food and drink manufacturers situated in and around the Moorfield site to utilise the centre's resources;
  - Easy access from trunk roads across the region;
  - Good existing bus and walking routes to the site with the opportunity to provide further enhancements and encourage active travel linking up to a number of improved cycle routes currently planned by Ayrshire Roads Alliance (ARA);
  - Adjacent land zoned in the Local Development Plan allocated for Business and Industry provides future opportunities for growth and the development of more industrial space for manufacturing, engineering and food & drink sectors;
  - Provides opportunities for shared learning and training across both sectors; and

- Opportunities for networking among the unit occupiers to build good supply chain opportunities and enhance community wealth building. Tenants of the units and users of the Centre of Excellence will be encouraged to seek out supply chain and collaboration opportunities with surrounding businesses which can be facilitated by East Ayrshire Council's Business Support Team.

## **IMPACT OF CO-LOCATION**

13. Whilst the objectives for both projects remain broadly unchanged as a result of the change request, it should be noted that the proposed development space at AMIC has been reduced from 7,864 sq m to 5,814 sq m and the proposed development space at AEP has been reduced from 10,576 sq m to 7,250 sq m.
14. The co-location will create a new Ayrshire Innovation Park, incorporating transport links, public realm areas, cycle paths, walkways and an onsite coffee shop. The creation of these new public realm spaces will deliver social and community benefits to the wider area and will increase the sustainability of the development.
15. The reductions in floor space highlighted at paragraph 13 resulted from a detailed costings process which acknowledged significant inflationary pressures and other drivers such as the need to build in net zero measures. Clearly, this will reduce the numbers of businesses able to utilise the space on a day to day basis and will also impact upon the total number of jobs created.
16. An economic modelling exercise is currently underway. This was carried out by the PMO to analyse the impact of both developments in terms of jobs created (construction and non-construction). The Glasgow City Region Intelligence Hub is carrying out further analysis and verification of the initial figures generated and an update will be provided in the OBC.
17. The co-location at Moorfield also affords an opportunity for both projects to take advantage of the new 5G connectivity programme which is being funded by the UK Government. £3.8 million has been awarded to the Ayrshire region from the 5G Innovation Regions Fund and the Ayrshire Innovation Park will be established as one of a number of Regional Strategic Wireless Innovation Hubs across our region.
18. The 5G project under development at Moorfield will focus on working with existing manufacturing and other supply chain businesses within all phases of the Moorfield Industrial Parks to facilitate the adoption of narrowband IoT (Internet of Things), enabling better data management and IoT integration. £450,000 has been allocated to this project from the wider fund.
19. The successful delivery of this project will result in the establishment of an ecosystem where 5G technology drives economic growth, technological development and industrial excellence and in doing all of this, will provide essential digital infrastructure support to businesses locating at the AIP. Lessons learned during the delivery of the 5GIR project will inform the development of digital connectivity and infrastructure delivered as part of the AMIC and AEP projects.

## PROJECT MANAGEMENT AND TIMELINE

20. The changes to the projects have necessitated some significant changes to the timeline and financial projections for both projects. A summary of these changes is set out below.

### *Ayrshire Manufacturing Investment Corridor*

21. The original funding profile for the AMIC project is set out in the table below.

Original Funding Profile for AMIC Project, 2019									
Source	23/24 (£m)	24/25 (£m)	25/26 (£m)	26/27 (£m)	27/28 (£m)	28/29 (£m)	29/30 (£m)	30/31 (£m)	Total
UK Government	0.060	0.625	0.625	1.845	1.846	1.000	0.940	3.059	10.000
Scottish Government	0.500		0.625	1.125	2.680	2.827	1.647	4.096	13.500
East Ayrshire Council									
<b>Total</b>	<b>0.560</b>	<b>0.625</b>	<b>1.250</b>	<b>2.970</b>	<b>4.526</b>	<b>3.827</b>	<b>2.587</b>	<b>7.155</b>	<b>23.500</b>

22. The new funding profile for the AMIC project is set out in the table below. As the table demonstrates, East Ayrshire Council expects to reclaim its spend to date (£1.140m) during 2024/25. It is also noted that overall spend will be incurred over a shorter period, concluding by the end of 2026/27.

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Revised Funding Profile for AMIC Project, 2024							
Source	21/22 (£m)	22/23 (£m)	23/24 (£m)	24/25 (£m)	25/26 (£m)	26/27 (£m)	Total
UK Government				0.400	8.100	1.500	10.000
Scottish Government				3.920	5.480	4.100	13.500
East Ayrshire Council	0.067	0.323	0.750	-1.140			
<b>Total</b>	<b>0.067</b>	<b>0.323</b>	<b>0.750</b>	<b>3.180</b>	<b>13.580</b>	<b>5.600</b>	<b>23.500</b>

24. In terms of project milestones, it is anticipated that the new Outline Business Case (OBC) will be submitted to both Governments by May 2024. In order to manage risk and meet the preferred procurement strategy, it is intended to split the Full Business Case (FBC) into three new FBCs as follows:

- FBC Infrastructure (joint FBC with AEP). Submission by no later than 7 October 2024 and final approval by both Governments by 2 December 2024. Construction works to commence in January 2025, expected duration 10-12 months.

- FBC Centre of Excellence & Food Grade Units. Submission by no later than 12 January 2026 and final approval by both Governments by 20 March 2026. Construction works to commence in May 2026, duration 12 months.
- FBC Large Advanced Manufacturing Unit. Submission by no later than 2 December 2024 and final approval by both Governments by 14 February 2025. Construction works to commence in January 2026, duration 12 months.

*Ayrshire Engineering Park*

25. The original funding profile for the AEP project is set out in the table below.

Original Funding Profile for AEP Project, 2019									
Source	21/22 (£m)	22/23 (£m)	23/24 (£m)	24/25 (£m)	25/26 (£m)	26/27 (£m)	27/28 (£m)	28/29 (£m)	Total
UK Government									
Scottish Government		1.789	1.729	2.249	2.541	1.692	1.000	1.000	12.000
East Ayrshire Council	0.350	1.000	1.000	0.650	0.500	0.500			4.000
<b>Total</b>	<b>0.350</b>	<b>2.789</b>	<b>2.729</b>	<b>2.899</b>	<b>3.041</b>	<b>2.192</b>	<b>1.000</b>	<b>1.000</b>	<b>16.000</b>

26. The new funding profile for AEP is set out below. As the table demonstrates, East Ayrshire Council expects to reclaim its spend to date (£1.454m) during 2024/25. It is also noted that overall spend will be incurred over a shorter period, concluding by the end of 2026/27.

Revised Funding Profile for AEP Project, 2024									
Source	20/21 (£m)	21/22 (£m)	22/23 (£m)	23/24 (£m)	24/25 (£m)	25/26 (£m)	26/27 (£m)	Total	
UK Government									
Scottish Government					4.277	2.791	4.932	12.000	
East Ayrshire Council	0.003	0.107	0.744	0.600	-1.454	2.106	1.894	4.000	
<b>Total</b>	<b>0.003</b>	<b>0.107</b>	<b>0.744</b>	<b>0.600</b>	<b>2.899</b>	<b>4.897</b>	<b>6.826</b>	<b>16.000</b>	

27. Looking at key milestones, the Outline Business Case for AEP will be submitted by May 2024 and similar to AMIC, three FBCs will be produced thereafter. The first, as referred to in paragraph 18, is the Joint Infrastructure FBC. The others are as follows:

- FBC Small Terraced Engineering Units. Submission by no later than 17 March 2025 and final approval by both Governments by 9 May 2025. Construction of this phase will start towards the end of the infrastructure construction phase once access to the development plots are available and the FBC's are proposed accordingly to dovetail with construction programme for both parts of the project.
- FBC Large Engineering Units. Submission by no later than 2 December 2024 and final approval by both Governments by 14 February 2025. Construction works to commence in January 2026, duration 12 months.

## IMPLICATIONS

28. There are a number of implications arising from the report, summarised in the table below:

Implications	Yes	No	Paragraph number in report
1. Policy/Strategic Planning	x		29-32
2. Financial	x		33-35
3. Governance/Legal	x		36-39
4. Human Resources	x		40
5. Equality & Fairer Scotland Duty	x		41
6. Risk	x		42-45
7. Community Wealth Building	x		46-47
8. Net Zero	x		48

## POLICY/STRATEGIC PLANNING IMPLICATIONS

29. The sectoral focus on food and drink and advanced manufacturing, amongst others, is a key theme of the Regional Economic Strategy. AMIC and AEP will predominantly deliver upon two of the 6 key priorities of the Strategy: Support for Enterprise and Innovation.
30. The change management request for the AMIC & AEP projects will not affect the delivery of the strategic objectives and in fact will help ensure efficient delivery.
31. The AMIC project will support the delivery of the AGD's strategic objectives. In particular, the project will demonstrate to local and international food and drink manufacturing that Ayrshire has high aspirations for future growth and development of the food and drink manufacturing sector and that these aspirations are backed by substantial investment.
32. The AEP Project will provide businesses with a base and facilities to grow and will support the existing engineering supply chain. It will also provide opportunities for businesses to share knowledge and work collaboratively. AEP will demonstrate commitment to the engineering and light manufacturing sector, encouraging businesses to relocate to the area and ultimately driving inward investment.

## **FINANCIAL IMPLICATIONS**

33. As noted at paragraph 22, the AMIC project has incurred spend of £1.140m to date, which East Ayrshire Council expects will be drawn down from the UK and Scottish Governments during 2024/25. As noted at paragraph 25, the AEP project has incurred spend of £1.454m to date, which the Council anticipates will be drawn down from the Scottish Government during 2024/25.
34. Revised funding profiles have been approved following the change request. Whilst the overall project budgets remain unchanged, the profiling of spend has been substantially altered and both projects are expected to incur all project costs over the next three years (to the end of 2026/27) in line with the revised timelines.
35. The project team are working with Finance colleagues to agree a consistent and transparent apportionment of any shared costs such as land purchase and infrastructure costs over the two projects.

## **GOVERNANCE/LEGAL IMPLICATIONS**

36. The Project Teams have developed governance structures in accordance with AGD PMO governance requirements to oversee both projects and sub-group meetings have commenced. The AGD Steering Group is responsible for monitoring progress across all projects and project leads are required to provide regular updates to this group.
37. An Ayrshire Innovation Park Steering Group has been established and is chaired by the Head of East Ayrshire Council's Economic Growth Service, with representation from key partners and stakeholders. This Group acts as the strategic and operational decision-making body for both AMIC and AEP.
38. A number of sub-groups have also been formed which focus on specific areas including marketing and customer focus, operations, industry focus and architectural design.
39. Projects are being managed by East Ayrshire Council in accordance with recognised project management (PRINCE 2) principles. Where issues are identified, remedial action is taken to ensure delivery remains in line with Outline Business Case projections.

## **HUMAN RESOURCE IMPLICATIONS**

40. Project Teams have been recruited from within existing resources, and there are no additional staffing requirements at this time.

## **EQUALITY AND FAIRER SCOTLAND DUTY IMPLICATIONS**

41. An Equality Impact Assessment will be carried out and finalised prior to the submission of the Full Business Case. Project Teams are working with East Ayrshire Council's Equalities Lead and the AGD PMO on this process.



## **RISK IMPLICATIONS**

42. Strategic and operational risk registers continue to be developed, reviewed and updated for the AGD programme. The Programme Risk Register has been updated in accordance with the commitment to be reviewed every quarter.
43. The co-location of both projects is considered to mitigate the risk associated with construction costs as the new approach releases economies of scale in relation to land purchase, infrastructure works and contract procurement.
44. The risk associated with transport implications has been removed due to the co-location, as the Moorfield site is not considered to have the same restrictions in terms of traffic as Bellfield Interchange.
45. The risk of not attracting commercial interest in the project has been reduced as the co-location strengthens the area as a key location for the Food, Drink, Engineering and Light Manufacturing sectors.

## **COMMUNITY WEALTH BUILDING IMPLICATIONS**

46. Procurement contracts for the construction of the projects will be aligned with the principles set out in the Ayrshire Community Wealth Building Charter and these will include community benefits. Within the leases for the incubation units and speculative industrial space for both projects, provision will be made for both community wealth building and fair work practices to ensure that businesses utilising and benefiting from the facilities are following best practice.
47. Both projects will work closely with educational establishments and communities to raise aspiration and ambition, provide employment and skills support, and improve access to jobs through innovative community empowerment and employability programmes.

## **NET ZERO IMPLICATIONS**

48. The development will include significant investment in new, sustainable transport infrastructure which will improve accessibility for local communities. An active travel cycle network is also under development via a separate project. The route will include the boundary of the AIP, linking the site with other towns and villages in the region.
49. The development will include a range of innovative measures aimed at maximising Net Zero potential. East Ayrshire Council are investigating the feasibility of working with an Energy Partner to deliver renewable energy to the AGD projects and surrounding industrial estates.

## **CONCLUSION**

50. The approval of the change request will result in the co-location of both the AMIC and AEP projects on a site to be known as the Ayrshire Innovation Park. This

approach is considered to benefit both projects by releasing economies of scale in relation to land purchase, infrastructure works and contract procurement. It also removes the traffic and transport barriers which had acted as a constraint on development of the previously identified site.

51. With the change agreed and the site already in the ownership of East Ayrshire Council, the focus will now move to the finalisation of Outline Business Cases for both projects. Beyond that, it is anticipated that the preparation of Full Business Cases will be completed in 2025, and subject to approval, construction works will commence during 2025/26.

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Background papers: AMIC & AEP Change Management Submission, February 2024